

# **AUSTRALIA-CHINA LEGAL PROFESSIONAL DEVELOPMENT PROGRAM 2009**

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## **CONTRASTS IN INTELLECTUAL PROPERTY ENFORCEMENT IN AUSTRALIA AND CHINA**

AUSTRALIA EXPERIENCE AND PROSPECTS FOR CHINA\*

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## **Introduction**

Because of international pressures and to meet its own economic objectives, China has been moving its intellectual property rights (IPR) regime closer toward those found in many developed countries. While the Chinese government has undertaken considerable initiatives to modernize its IP laws to achieve stronger enforcement regime, IP protection still remains a challenge. For foreign IP owners, it is a difficult and often frustrating exercise to enforce IP rights in China. To improve China's enforcement situation, it is important to learn from the procedures and mature practices of other jurisdictions and where appropriate, to assimilate useful expertise and experiences.

This paper provides a review of both nations' IP legislation and enforcement regimes, together with a description and comparison of the available options and remedies to enforce IP rights. In closing a summary of useful features and experiences drawn from Australia, is provided with suggestions which may assist in development of IP enforcement in China.

### **1. IPR Legislation**

#### **1.1 Australia IPR Legislation**

Australia's legal system has its foundation in the common law of England and Australia's legal practices and procedures broadly reflect those of the Anglo-American common law world.

The Commonwealth of Australia Constitution Act 1900 established a federal system of government for Australia. Under this system, law-making powers are distributed between the Federal Government, five States and two Territories. Intellectual property laws are the province of the Australian Government rather than the States and Territories.

Much of Australia's IP laws are contained within specific Federal statutes. These are the Patents Act 1990, Copyright Act 1968, Trade Marks Act 1995, Designs Act 2003, Plant Breeders Rights Act 1994 and Circuit Layouts Act 1989. In addition, the Trade Practices Act 1974 contains consumer protection provisions that, amongst other things, prohibit conduct in trade or commerce that is likely to mislead or deceive consumers, and create a statutory cause of action analogous to the tort of passing off. In addition to statutory law, there are common law and equitable rights and remedies, including passing off, injurious falsehood and general law remedies for the protection of confidential information, including not only trade secrets, but also business and personal information.

## 1.2 China IPR Legislation

Unlike Australia, China is a civil law country and has adopted many aspects of the German law system. Since the Trademark Law of the People's Republic of China entered into force in 1983, China formulated a series of IP-related laws and regulations, including among other things, the Patent Law, Copyright Law and Unfair Competition Law. In addition, it has acceded to many international IP treaties (including WIPO, Bern Convention, Paris Convention, TRIPS, among others) and established a comprehensive system for IP protection. China has been adopting the mature practices of the Western countries with respect to the conditions and requirements for grant of the intellectual property rights, thus making the legal system for the protection of the intellectual property rights in China readily understandable and acceptable to foreigners.

**Table 1: Comparison of Main Sources of National IPR Law**

Source of Law	Australia	China
Patent	Patents Act 1990 (Cth) Designs Act 2003 (Cth)	Patent Law (2008) (The term "patents" include "invention, utility model and design")
Trade Mark	Trade Marks Act 1995 (Cth)	Trade Mark Law (2001)
Copyright	Copyright Act 1968 (Cth)	Copyright Law (2001)
Confidential Information (Trade Secret)	<ul style="list-style-type: none"> <li>• Breach of confidence (general law)</li> <li>• Breach of contract (Contract law)</li> </ul>	Unfair Competition Law(1993) Labor Contract Law (employee trade secret) (2008)
Circuit Layouts	Circuit Layouts Act 1989	Regulation on Protection of Layout of Integrated Circuit (2001)
Plant Breeder Right	Plant Breeders Rights Act 1994 (Cth)	Regulations on Protection of Plant Variety Rights (1997)
Competition and consumer issues	Trade Practices Act 1974	Anti-unfair Competition Law (1993)
<b>Other Sources:</b>	<b>(aside from the above statutes)common law and equitable rights and remedies</b>	<b>N/A(only statutory law)</b>

**Table 2: Comparison of Membership of International Treaties**

International Treaties	Australia	China
<b>General</b>		
WIPO Convention	√	√
Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement	√	√
Asia-Pacific Economic Cooperation (APEC)	√	√
<b>Copyright</b>		
The Berne Convention for the Protection of Literary and Artistic Works	√	√
<b>Industrial Property</b>		
Paris Convention (Industrial Property)	√	√
The Patent Cooperation Treat (PCT)	√	√
Strasbourg Agreement (International Patent Classification)	√	√
Locarno Agreement(International Classification for Industrial Designs)	√	√
<b>Trademarks</b>		
Madrid Agreement(International Registration of Marks)	<b>X</b>	√
Madrid Protocol (International Registration of Marks)	√	√
Nice Agreement (International Classification of Goods and Services)	√	√
<b>PLANT VARIETY RIGHTS</b>		
International Union for the Protection of New Varieties of Plants (UPOV)	√	√
<b>Others</b>		
Budapest Treaty (Deposit of Micro-organisms)	√	√

**1.3 Summary:**

**In terms of source of IP Laws, Australia has statutes, common law and international treaties, whilst China relies mainly on statues, which is deeply rooted in the respective countries' social, political, economic and historical traditions.**

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## 2. IPR Regime

### 2.1 Australia IPR Regime

Responsibility for IP is split between two different Australian Government Ministers. The Attorney-General has responsibility for copyright and circuit layouts laws and policy. **The Minister of the Department of Innovation, Industry, Science and Research** has responsibility for industrial property law and policy and is administered by IP Australia. The Attorney-General's Department and IP Australia work closely on a range of IP issues, including enforcement mechanisms.

**IP Australia**, which administers patent, design, trade mark and plant breeders rights legislation within the portfolio responsibilities of the Department of Innovation, Industry, Science and Research. The Patents Act, Trade Marks Act, Designs Act, and Plant Breeders Rights Act (but not the Copyright Act nor the Circuit Layouts Act) creates registration systems administered by IP Australia.

**The Australian Federal Police (AFP)** is the chief law enforcement body in relation to IP crimes. As such, the AFP receives regular referrals in relation to intellectual property infringements in general and the offence provisions of Commonwealth copyright and trademarks legislation in particular. Referrals involving intellectual property matters may come from other agencies such as the Australian Customs Service (ACS), or from industry bodies such as the Australasian Film and Video Security Office, the Anti-Counterfeiting Action Group (ACAG) and Music Industry Piracy Investigations. However, enforcement is also carried out by the various State police services that are authorized to exercise investigative powers in relation to IP offences. State and Federal police often work together and with industry organizations in investigating IP crimes.

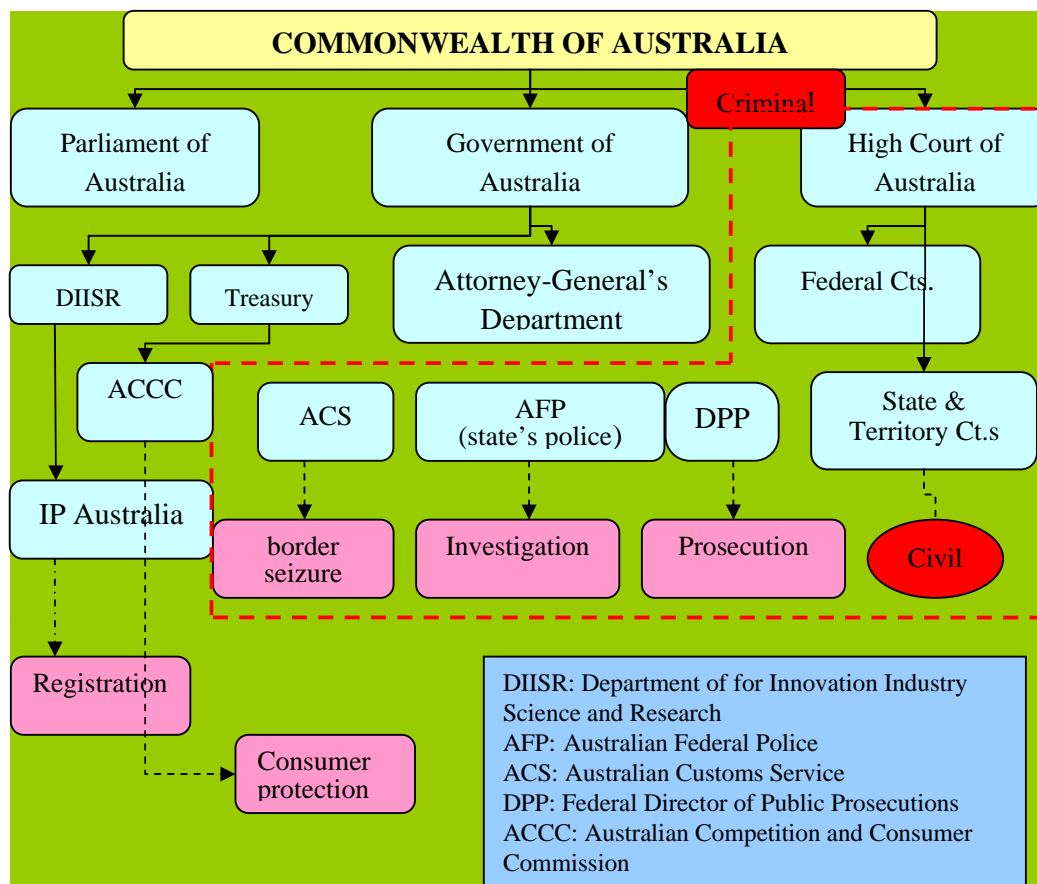
**The Federal Director of Public Prosecutions(DPP)** is an independent office holder and is responsible for the prosecution of federal offences, including IP offences.

**The Australian Customs Service(ACS)** has the power to seize counterfeit and pirated goods at the border. Customs' powers at the border are set out in the Copyright Act 1968 and the Trade Marks Act 1995. Customs may only seize infringing goods imported for trade/commercial purposes if the copyright and trade mark owners have lodged with Customs a Notice of Objection identifying their intellectual property rights.

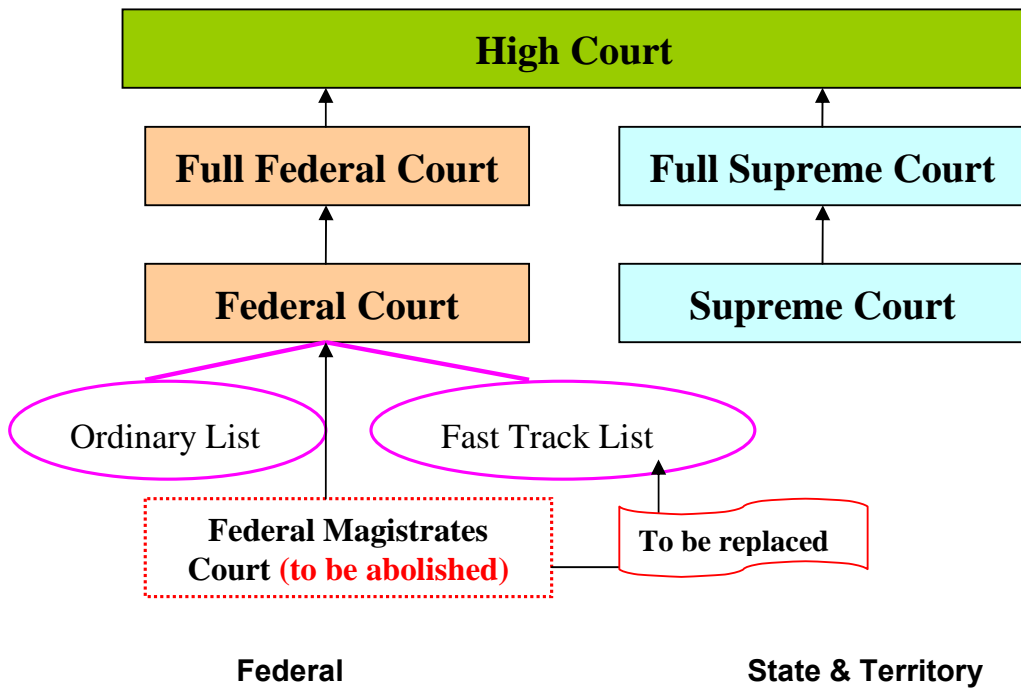
The competition and consumer provisions of the Trade Practices Act 1974 dealing with issues are administered by the Department of the Treasury through **the Australian Competition and Consumer Commission (ACCC)**.

**Judicial System.** The primary jurisdiction for IP litigation is the Federal Court of Australia ("Federal Court"). Concurrent jurisdiction is also vested in the various State and Territory Supreme Courts, but usually, IP litigation is commenced and prosecuted in the Federal Court. The Federal Court also has jurisdiction to review the decisions of the Trade Marks and Patents Offices. Also, some official decisions may be reviewed by the Administrative Appeals Tribunal ("AAT"). The AAT falls within the Federal Attorney-General's portfolio. Jurisdiction in criminal IP matters (such as commercial piracy offences arising under the Copyright Act and Trade Marks Act) is split between the Federal and State Courts. The ultimate appellate court in both the Federal and State court systems is the High Court. There is no automatic right to appeal to the High Court.

**Table 3: Australia's IPR Regime**



**Table 4: Hierarchy of Australia's National Civil Courts**



## 2.2 China IPR Regime

China's administration and enforcement of intellectual property is hindered by a complex set of jurisdictions. Substantive provisions can be found in statutes, administrative implementing regulations, judicial interpretations, as well as internal guidelines of the various enforcement bodies. Enforcement authority is spread across the Courts (for civil litigation and criminal prosecution) and numerous entities (for administrative action), many with a national office in Beijing and local provincial Offices. The national office concentrate on overall policy, education and strategy as well as IPR rights registration or recordal, such as State Intellectual Property Office (SIPO), while hands-on enforcement is carried out at a local level.

**Administration for Quality Supervision, Inspection and Quarantine (AQSIQ)**, China's standard setting agency is primarily responsible for ensuring quality and standards of Chinese products, also handles infringement of registered trademarks, and complaints concerning inferior or shoddy goods. AQSIQ also issues administrative regulations regarding protection of geographic indications.

**State Administration on Industry and Commerce (SAIC), Trademark Office, Fair Trade Bureau.** The Trademark Office, under SAIC, maintains authority over trademark registration, and determine whether a mark can be

considered “well-known”. The Fair Trade Bureau under SAIC, handles disputes arising under the Law against Unfair Competition, including trade secret matters. Local Administrations for Industry and Commerce (AICs) handle trade mark and unfair competition cases and they have the power to investigate complaints. When an infringement is determined, local AICs may order that the sale of infringing items cease and to stop further infringement, order the destruction of infringing marks or products, impose fines, and remove machines used to produce counterfeit goods.

**State Intellectual Property Office (SIPO)** at the national level is responsible for the examination of foreign and domestic patents and supervision of local SIPO bureaus. Regional Intellectual Property Bureaus generally handle the administrative enforcement of patent complaints.

**National Copyright Administration (NCA)** is responsible for copyright recordation. Its local Copyright Administration Bureaus (CABs) handles copyright complaints. Although administrative remedies are available, but due to lack of personnel, NCA generally encourages complainants to use the court system

**General Administration of Customs (GAC)** may through its local Customs Offices seize infringing entering or leaving China. IPR owners can record his rights with GAC, in order to exercise their IPR enforcement authority.

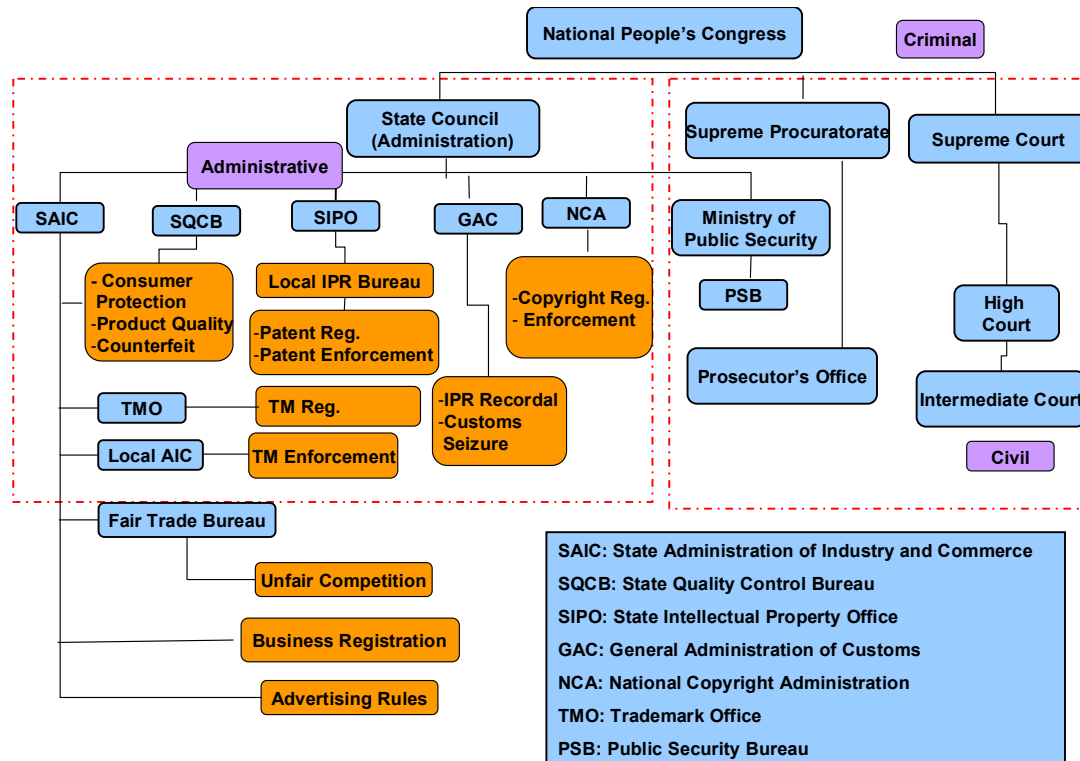
Depending on the industry in question, recourse may also be sought from other agencies such as the Food and Drug Administration (FDA), etc.

**Public Security Bureau (police) /Procuratorate (prosecutors).** China’s laws stipulate that IP administrative authorities and Customs may transfer egregious IP infringement cases to police and prosecutors (procuratorate) for initiating criminal investigation. Despite these criminal provisions, most IP cases continue to be handled through the administrative system. Under Chinese law, private prosecution is available to criminal cases, but this is rarely used.

**Judicial System.** China’s courts operate at four levels, the lowest level are the basic courts, then the intermediate courts, high courts, and at the top, Supreme Court. China does not have independent IP Courts that deal exclusively with IP cases. IP lawsuits are the preserve of specially-designated intermediate courts in big cities and provincial capitals. High courts have original jurisdiction over high-value disputes. However, in some areas, basic courts may be available to hear small value trade mark and copyright cases. Within Intermediate courts or above, there is a civil IP division, a criminal IP

division and an administrative IP division to hear related IP disputes. The Supreme Court is currently in the process of streamlining the court system. This includes setting up a unified tribunal to hear complex cases relating to civil, administrative and criminal matters<sup>2</sup>.

**Table 5: China IPR Regime**



<sup>2</sup> Chinese Supreme Court issued Guideline on Implementing the Compendium of National Intellectual Property Strategy on March 30, 2009, which states ‘To study on setting up a special IPR tribunal to deal with civil, administrative and criminal cases in connection with IPR, unify the division of work in the trials of cases concerning affirming IPR such as patent and trademark etc., conscientiously sum up the pilot schemes of recent years in which civil, administrative and criminal cases in connection with IPR were dealt with by a “unified” tribunal within a court, expand collegial panels or involve IPR civil judges to probe into the trials of criminal and administrative IPR cases, make in-depth studies to solve the problems emerging from the pilot schemes and actively and reliably propel the progress.

**Table 6: Comparison of Main IPR Authorities**

IPR Authorities	Australia	China
Registration of Rights	IP Australia (for patent, design, trade mark, plant breeders rights)	<ul style="list-style-type: none"> <li>• Trademark Office, under SAIC</li> <li>• State IP Office-SIPO (for patent)</li> <li>• National Copyright Administration (copyright recordal not mandatory)</li> </ul>
Judiciary (civil)	<p><b>Federal Level</b></p> <ul style="list-style-type: none"> <li>• Federal Ct. of Australia</li> <li>• Appeals heard by full bench of Federal Ct.</li> <li>• Appeals to High Court</li> </ul> <p><b>State &amp; Territory Level</b></p> <ul style="list-style-type: none"> <li>• Supreme Court</li> <li>• Appeals heard by full bench of Supreme Ct.</li> <li>• Appeals to High Court</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Intermediate Court</b></li> <li>• <b>Appeals heard by High Court</b></li> <li>• <b>Appeals heard by Supreme Court(only when High Ct. is original Ct.)</b></li> </ul> <p><b>NB: some designated basic courts can exercise original jurisdiction over small value copyright and trade mark case.</b></p>
Judiciary (criminal)	<ul style="list-style-type: none"> <li>• First Ct.: State &amp; Territory courts at different levels</li> <li>• Highest Ct. of appeal: High Court</li> </ul> <p>Note: criminal offences only exist for trade mark, copyright &amp; plant breeders rights</p>	Same as above
Administrative Enforcement	<b>Not applicable</b>	<ul style="list-style-type: none"> <li>• <b>Regional IPR bureau (patent )</b></li> <li>• <b>local AIC (trademark)</b></li> <li>• <b>local Copyright Office (copyright)</b></li> </ul>
Unfair competition	Australian Competition and Consumer Commission (ACCC)	Fair Trade Bureau, under SAIC
Criminal Investigation	Australian Federal Police (AFP) & State police services	Ministry of Public Security & local Public Security Bureaus
Criminal Prosecution	Federal Director of Public Prosecutions(DPP)	Supreme Procuratorate & local Prosecutor's Offices
Border Seizure	Australian Customs Service(ACS)	General Administration of Customs & local Customs Offices

## 2.3 Summary

In terms of IPR enforcement authorities, in Australia, most remedies are sought from the Courts; By contrast, China has tended to encourage enforcement of IPRs through administrative authorities, rather than the police or courts. The stretch and structure of its bureaucracy mirrors its huge geographic size, which is “characteristic of China”.

## 3. Options & Remedies for IPR Infringement in Australia

### 3.1 Options & Remedies in Australia

The remedies and procedures available for dealing with infringement of IP rights in Australia are only available through the courts. There is no administrative channel. Civil remedies are available under all Australian IP legislations and are the key way private rights are enforced by IP rights holders. There are also procedures in place for seizure of infringing goods by customs as well as criminal sanctions. Due to the prioritization of other cases (including drugs and fraud), the Australian Federal Police and Commonwealth Director of Public Prosecutions are constrained in their ability to prosecute IP crimes. Criminal offences for infringement under Australian IP legislation are limited to copyright, trade marks, and plant breeder’s rights.

**Table 7: Enforcement Options for IPR in Australia**

Main IPRs	Civil Action	Criminal Sanctions	Customs Seizure	Administrative Enforcement
Patent	√	X	X	X
Design	√	X	X	X
Trade Mark	√	√	√	X
Copyright	√	√	√	X
PBR	√	√	X	X

#### A. Civil Action: Interlocutory actions and orders

Interlocutory actions are one of the most important features of enforcement proceedings of Australia.

- **Preliminary or pre-trial discovery orders** (limited to documentary discovery), which requires a person (who may not end up being a defendant, but merely someone who has relevant information or documents) to give information about possible infringers to a plaintiff.

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- **Civil search and seizure orders** (sometimes referred to as an **Anton Piller order**). It allows the IPR owner to make a search of an infringer's premises and seize specifically identified items. An Anton Piller order is granted when the court is persuaded that there is a serious risk that papers or evidence may be destroyed or removed.
  - **Interim injunctions** restraining the infringing conduct. Further, interim injunctions may be ordered to prevent a defendant removing assets or documents from Australia (sometimes referred to as a Mareva injunction);

It is a condition imposed by the court for all interim injunctions, including an Anton Piller order, that the owner of the IP rights give an undertaking to the court to compensate any person adversely affected by the injunction if it is later found that the injunction should not have been ordered. This is known as an undertaking as to damages.

Aside from interlocutory orders, Australian courts have powers to make a range of other orders. The most common remedies are damages, account of profits, delivery up and permanent injunction.

- **Damages.** Orders for damages are generally compensatory in nature. However, in certain IP matters the court does have the power to order additional damages for flagrant infringement. There are no strict rules as to how the courts assess damages in IP litigation, but there are general guidelines on which damages can be calculated. These are:
  - Prejudice to owner's interests;
  - Loss of profit by the owner;
  - Presumed license fee; and
  - Conversion damages (only for copyright) are awarded when the court deems the infringing articles to have been the owner's property, which the infringer has, in effect, stolen. The amount of damages is usually related to the amount that the infringer realized on the sale of the articles.
- **Account of profits.** Where the infringers have sold or benefited financially from the infringing goods, the Court may order that they pay the IP owner a sum equivalent to the profits they made from using the IP.
- **Delivery up.** In cases of copyright infringement, the copyright owner is deemed to be the owner of the infringing goods. In delivery up, the owner is entitled to have those goods rather than have them destroyed.

- **Permanent injunction.** Once infringement is proved, a permanent injunction preventing the infringer from undertaking any further infringing conduct follows as a matter of course. The infringer will not be able to continue their conduct without a license to do so from the IP owner.

## **B. Criminal liability: piracy and forgery**

Certain breaches - piracy and forgery - of the Copyright Act 1968 and the Trade Marks Act 1995 constitute criminal offences.

### **Under the Trade Marks Act 1995, it is an offence to:**

- Alter or remove a trade mark knowing it is a registered trade mark;
- Make a die or equipment which can help in falsifying or removing a trade mark; and
- Sell, possess, distribute or import a good knowing that the trade mark has been falsified or removed.

### **The Copyright Act 1968 similarly provides for criminal sanctions. Under this Act it is an offence to (amongst other things):**

- Knowingly import, possess, sell, distribute or commercially deal with an infringing copy;
- Offer for sale infringing copies of computer programs; and
- Transmit a computer program to enable it to be copied when received.

The Copyright Act 1968 provides for individuals to be fined up to \$50,000 and for corporations to be fined up to \$250,000. The possible term of imprisonment is up to five years.

The penalties under the Trade Marks Act 1995 are sentences up to two years and fines of up to \$55,000.

The PBR Act 1994 provides for individuals to be fined up to \$55,000 and for corporations to be fined up to \$275,000. The possible term of imprisonment is six months.

## **C. Customs initiative: seize imported infringing goods**

A trade mark or copyright owner can summon the help of Customs to prevent infringing goods from being imported into Australia. To obtain Customs help,

the owner must lodge a notification (which sets out the nature of the IP owned) and a security deposit with Customs, setting out the nature of the IP rights.

Customs officers will seize any goods infringing either the copyright or the trade marks covered by the notification. The owner/exclusive licensee/authorized user then have 10 days(extended by a further 10 days) to take action against the importer unless the goods are forfeited. During that time, the products are detained by the Customs. At the end of 10 days the goods will be released to the importer unless the owner/ exclusive licensee/authorized user has initiated legal proceedings and has obtained an appropriate order from the court.

### **3.2 Options & Remedies for IPR Enforcement in China**

By contrast, China has mostly followed the existing civil, administrative and criminal liability system in its construction of the IP-related enforcement system (an IP owner can seek to assert its varied IP rights in China by making full use of all the above four options: through an administrative procedure or through a criminal or civil judicial procedure, as well as use of customs seizure). This “unique” and “complex” system presents some challenges, as well as opportunities, for IP right holders.

The administrative procedure is an unusual approach to dealing with IP issues and may be unique to China.

#### **A. Administrative Action: Injunctions, Fines and Penalties**

Traditionally, administrative action has been the first resort for IP owners. The administrative authorities may make investigation, ex officio, or at the request of an interested party on the basis of prima facie evidence furnished thereby, and make a corresponding administrative decision in a relatively short period of time. As such, the administrative system can result in swifter, cheaper and comparatively efficient action, valuable for situations that call for injunctive relief and punitive actions.

The most important element of an administrative agency's powers is its on-site inspection or raid, during which infringing articles and related records may be seized and premises sealed. An administrative authority, when reviewing evidence or information presented by an interested party and preliminarily finding the likelihood of an IP infringement, may conduct an on-site inspection or a raid action to find out the facts and scale of the infringement. It may preserve or detain suspected articles if found on site. After finding infringement,

it will also issue an order requiring the infringer to cease production and grant fines.

## **B. Civil litigation: Interim Injunctions, Permanent Injunctions, Public Apology, Compensation and Damages**

China's Court System derives from a civil law model, which has become increasingly sophisticated over the last 10 years, and carries with it a lot of civil law traditions.

### **Preliminary measures**

According to relevant Chinese laws and judicial interpretations, preliminary measures are available in all kinds of intellectual property fields.

- Pre-trial evidence preservation
- Pre-trial property preservation
- Preliminary injunction

The rights holder must submit sufficient evidence showing its intellectual property rights and the existence of infringement or threatened infringement. The rights holder must provide security for the preliminary injunction. Once the preliminary injunction order is granted by the court, the rights holder must file a lawsuit with the court within 15 days. The Court has broad discretion to take provisional measures. However, the rights holder is liable for any damages due to a wrongful preliminary measure not limited to the amount of a bond.

**Other available remedies** include the following:

- Permanent injunction;
- Issuance of a public apology
- Confiscation of unlawful gain or infringing products and assets used in furtherance of the infringement
- Compensation for damages suffered;
- Any combination of the above

**Compensation/Damages calculation.** There are generally four methods for calculating compensation/damages against IP infringement

- 1) Loss of the IP Owner;
- 2) Gains of the Infringer;
- 3) Multiple of Royalties;
- 4) Statutory Damages

The plaintiff can select one from the above four measures (subject to the Court's approval). And when both methods 1) , 2) & 3) are not practical, the third method will apply. Since a true assessment of lost sales is subjective and hard to prove, in most cases, statutory awards typically apply. Chinese courts will award legal fees, but review them for reasonableness. They will not award fees that they consider to be excessive.

### **C. Criminal Prosecution: Prison Term**

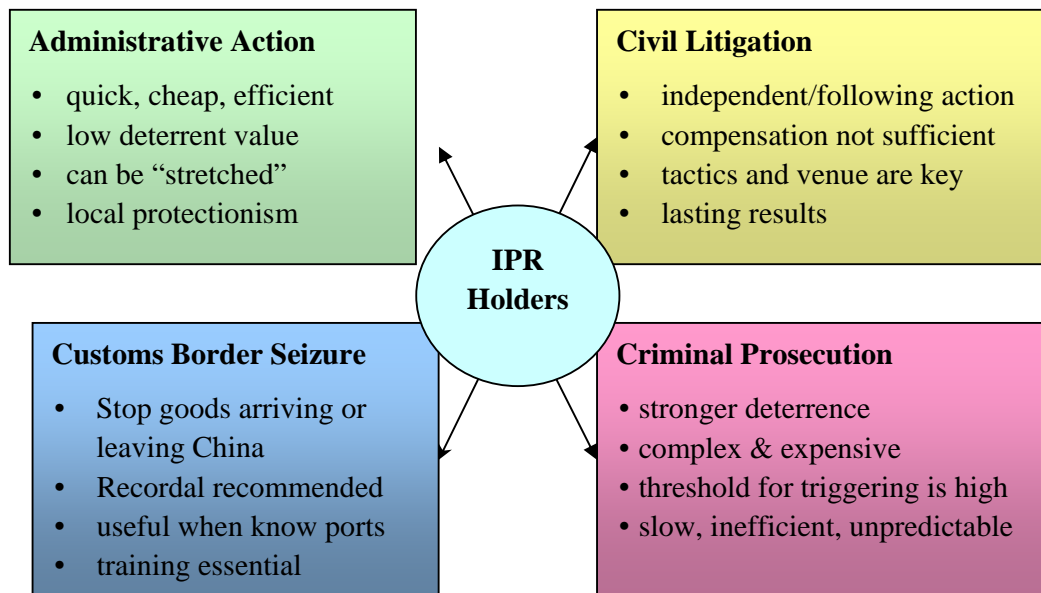
As a general rule, criminal liability for intellectual property infringement in China is limited to large-scale or repeat cases of commercial counterfeiting, piracy and patent infringement. Although the possibility of private prosecution exists, the vast majority of criminal cases are handled by the police and public prosecutors.

There are several barriers to a successful criminal prosecution. Intent must be shown as well as infringement; specific thresholds of seriousness need to be met; and the burden of proof is much higher than in civil cases. A practical issue is that the police are generally very reluctant to involve themselves in cases that they perceive as having a civil element.

### **D. Customs Border Seizure: Stop Goods in Transit**

When infringement crosses borders, customs enforcement can play a particularly useful role. In China, there are active (investigation and handling by the customs ex officio) and passive (detailing and handling suspected goods at the request of an interested party) customs protection of the intellectual property right. Although the vast majority of such cases are outbound, China's customs regulations are unusual in that infringing goods may also be seized upon exportation. Recordal of IP rights with Customs is not compulsory, but strongly recommended. Doing so would fast-track approval of applications for customs protection when infringement does occur. Owners of patents, registered trade marks, or copyrights may take advantage of customs enforcement.

**Table 8: China Enforcement Toolbox (Applicable to all IPRs)**



### 3.3 Summary

#### A. The difference of enforcement options available is a manifest of the economic and social considerations of IP in both countries

In China, a whole range of criminal sanctions can be applied in relation to the infringement of certain intellectual property rights, including patent. By contrast, in Australia, criminal penalties are limited to the specific offences contained in a number of IP related legislations such as the Trade Marks Act 1995 and the Copyright Act 1968. Currently, Australia has no criminal offence provisions in the Patent Act for patent infringement. It is originated from different legislative considerations.

To the patent holder, criminal proceedings have advantages over civil proceedings because the Federal or State government incurs much of the cost of the enforcement proceedings. In addition, criminal sanctions including imprisonment can be a greater deterrent against infringement than civil remedies particularly if the infringer is unable to pay. The disadvantage of criminal proceeding is that there is no financial compensation to the patent owner for the loss of profits as any fines remain with the federal or the state government. Correspondingly, the federal or state government incurs the greater expense which will rarely be compensated for by any fines imposed.

One popular belief is that criminal sanctions are particularly attractive in China as such provisions give confidence to developed countries to invest and license their IP in that jurisdiction. Patent infringement in Australia, is not widespread and up to now, is not considered significant on a national economic scale. This may explain the absence of criminal penalties for patent infringement.

## **B. Judicial System, Australia more sophisticated**

Typically of the common law system, Australia is reputed for its time-honored legal system and for its unparalleled research in jurisprudence, with a wealth of in-depth literature and data collection, which is especially reflected in its sophisticated judicial procedure and practices. In many aspects, Chinese Courts are still very inexperienced in IP matters, and are marked by little discovery, and insufficient consideration of remedies.

- **No formal precedent structure.** China is not a case law country but statutory country. The lack of reliance on precedent and the fact that decisions are not systematically published, results in a lack of consistency in decision-making.
- **No jury trial.** There is no jury trial in Chinese judicial proceedings. Cases are tried to a collegial panel of judges or a combination of judges and people's jurors (lay judges).
- **Limited discovery procedure(merely evidence preservation order available).** In China, each party is responsible for presenting evidence to support its claims. If the plaintiff alleges infringement, the plaintiff bears the burden of proof on that issue. If the defendant asserts a particular defense, it must prove it. Sometimes, the documents and evidence available for building a case are usually quite limited. In Australia, for instance, parties to a dispute are entitled to documents from the opposing party's records that may pertain to the dispute (say, issuance of Anton Piller raid). By contrast, in China, potential litigants may obtain an evidence preservation order – where evidence is of particular relevance in IP cases and likely to be lost or destroyed, or to be difficult to obtain later– however, the court may insist upon the provision of security in making such an order.
- **Witness testimony not common.** There are many private investigation agencies now operating in China. Unlike in Australia, Chinese courts rarely give much weight to testimony from private investigators or other witnesses. Instead, the courts tend to rely mainly on evidence which has been gathered by police and other enforcement authorities, as well as the

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testimony of notary publics. However, IP owners generally require the services of private investigators in order to generate preliminary information which police and administrative authorities can use as a basis for their own investigations and seizures.

- **Forum Shopping.** Factors to determine proper jurisdiction include place of business and site of infringing activity. Consequently, forum shopping is a common practice. Variations in expertise and experience between courts as well as lingering local protectionism issues mean that plaintiffs are well advised to choose carefully where they bring a case. In patent infringement cases, end users, as second defendant, are highly recommended – can be an important tool in forum selection. The defendant's home territory is not generally the preferred forum for litigation but other important considerations include the degree of economic development of a region and the level of the court.

- **Damages Calculation.**

Damages are typically the result of relatively simple, straightforward calculations. For example, the IPR owner may be awarded the amount of revenue the plaintiff would have earned in the infringement period based on previous sales or the amount the infringer earned as a result of the illegal sale. Generally, courts will award some portion of case-related costs to a successful plaintiff, but it is unlikely that full costs of pursuing the case will be recovered.

### **C. Split of Enforcement Authorities**

As noted above, the Chinese system places great emphasis on the administrative authorities' ability to determine validity and to adjudicate infringement. This should not be surprising, given China's stable history of bureaucratic governance.

A typical example of split system is **for Hearing Invalidity and Infringement Disputes**. Like Germany, patent infringement in China, is determined by the courts and invalidity challenges heard by SIPO's Patent Reexamination Board. Some infringement actions can be stayed in favor of SIPO invalidation proceedings—generally those involving design patents or utility model patents (which are not substantively examined by SIPO prior to grant). The determination of the validity issue at SIPO may delay the decision on infringement and damages.

This split of enforcement authorities between administrative and judicial offers certain distinct advantages. It is relatively low cost for the litigants. Initiation is fast. The proceeding is simple and straightforward. The parties have an ability to participate, and resolution of the dispute is prompt. If the IPR owner is seeking primarily injunctive relief, rather than substantial money damages, it is often the preferred approach.

However, there are a number of deficiencies with administrative action:

- 1) The administrative authority usually does not issue the preliminary injunction, nor does it have the power to decide on the amount of damages for the infringement unless the interested parties voluntarily request it to mediate on the amount of damages.
- 2) Not only is the IPR owner inadequately compensated, but the fines are too small to deter future infringement or put the offender out of business and an investigation may not be instigated because of local protectionism, lax enforcement, or a lack of resources.
- 3) Since administrative decisions can still be subject to judicial review, the whole procedure can be stretched.
- 4) Some local officers may not possess sufficient legal and technical expertise to decide a patent infringement case. Besides, a lack of coordination among administrative offices may also make uniform protection of IPR difficult.
- 5) The jurisdiction of administrative agencies is typically quite local in scope, and multiple complaints may be required when dealing with infringement on a regional or national level.

#### **D. Customs Seizure: China Customs more proactive**

In Australia, Customs border seizure is only available for imported goods, which are suspected of infringing copyright or trademark, on the condition that the IPR owners has lodged a notice of objection .

Unlike Australia, China Customs shall undertake the obligation to protect trademarks, copyrights and related rights, patent and Olympic marks at the border. Moreover, China Customs shall have the responsibility in taking actions against infringing exports in addition to taking actions against the infringing imports. Besides, there are two ways for customs IP protection, i.e. take the action by the initiative of customs or at the request of IPR owners. In

the above sense, China customs takes a more proactive approach for seizure and a better case handling procedure.

**Table 9: Comparison of Customs Seizures**

Enforcement Procedure	Custom Seizure	
	Australia	China
How to initiate the case	IP right holder's Request	Either by IP right holder's request or at the customs initiative
Contents of inspection	Counterfeit and piracy, applicable only to trade mark and copyright	Counterfeit, piracy and patent infringement, applicable to all IPRs
Direction of inspection	Only import	Both import and export
Recordal a precondition	Yes	No
Bond/Security	Needed	Needed

#### 4. Suggestions for China

- Solving backlogs at China Trademark Office and Patent Office
- Improving administrative system: increase transparency and local training
- Improving court system: improving the procedure of preliminary measures , maintaining consistency of courts' decisions,
- Improving IP litigation: solving double track system for infringement and validity issues by establishing an unified IP appeals court